HDFC Bank Research

Weekly Equity Market Updates for week ended January 17, 2025

Domestic Equity Market Update

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 0.98% & and Nifty 50 ending lower by 0.97% WoW respectively. The BSE Midcap index ended lower by 1.08% and the BSE Small cap index ended lower by 0.78%.
- On the BSE sectoral front, Power was the top performer. IT, Consumer Durables and Realty, underperformed the most.
- Domestic equity markets ended the week on a negative note following the positive US employment figures that reduced the likelihood of a rate cut by the US Federal Reserve at the next monetary policy meeting. Losses were extended on uncertainty over the US tariffs as markets are expecting a short-term disruption through channels like exports, foreign capital flows, and input costs for India under the administration of new US President.

Global Market Updates

- US equity markets ended on a positive note after the Labor Department report indicated that producer prices increased in December 2024, albeit by a margin slightly below expectations. The monthly rise in producer prices, which was less than anticipated, alleviated some of the recent worries regarding inflation and interest rate projections.
- European markets ended on a positive note on optimism regarding potential interest rate reductions.
- Brent crude rose marginallyfrom USD 81.01 per barrel to USD 81.09 amid potential supply risks after the US imposed sweeping sanctions on Russia's oil exports. Additionally, prices rose after data showed that crude inventories in the US dropped in the week ended Jan 10th, 2025. However, gains were restricted after Israel and Hamas have agreed to adhere to the ceasefire agreement.

Macro Data & Domestic News Released During the Week

- As per the Ministry of Statistics and Programme Implementation, Industrial production rose 5.2% YoY in November 2024, faster than the 3.7% YoY gain in October 2024.
- As per market intelligence firm Tracxn, India ranked third globally in terms of funding received in the fintech segment despite a decline of 33% YoY to USD 1.9 bn in 2024.
- Industry body SIAM said that automobile dispatches from companies to dealers rose 12% YoY in 2024 on the back of positive consumer sentiments.
- As per ICRA, India's civil aviation industry is projected to report a net loss of Rs 20 bn to Rs 30 bn in FY24 and FY25 as supply chain challenges and engine issues are expected to continue.
- As per CRISIL, India's investments in green infrastructure and energy projects will grow five-fold over the next five years to Rs 31 trillion.
- The World Bank kept its growth forecast for India unchanged at 6.7% YoY for FY26, maintaining that the country will remain the fastest-growing major economy for next two years.
- According to PropTiger, housing sales declined 26% YoY to 1,06,038 units across eight major cities during Q3 FY25 on lower demand mainly due to high prices.
- Real estate consultant Anarock data showed that the Private Equity (PE) investment in real estate rose 6% to USD 2.82 bn during the April-December 2024 period of FY25.
- **From Nifty 200 universe, 19 companies have announced their Q3 FY25 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 7.42%, 10.21% and 11.70% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 6.44%, 8.80% and 11.71% YoY respectively.**

Outlook

Going forward, Indian equity market is likely to be driven by incoming macro data points, upcoming union budget, FPI/DII flows, geopolitical developments, monetary policy moves from the RBI, Q3 FY25 results and announcement of policy changes by the Incoming US Administration. A robust US economy along with rising dollar index has led to FPI outflows from emerging markets which has impacted the market negatively and also has raised doubts over possibility of delay in rate cuts. Despite the 50-bps CRR cut by the RBI to infuse durable liquidity in the system, the system liquidity continued to remain in deficit, resulting in weaker credit growth. Improvement in the liquidity condition remains a key to improved growth conditions in the economy.

In US, Market participants are keenly awaiting the policy that Trump pursues to drive growth in the US. It is expected to be positive for corporations and the US economy, although there are some concerns about the effect the planned tariff increases will have on its trading partners including India.

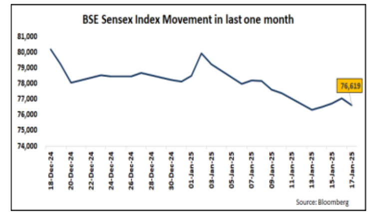
While India's overall GDP growth remained strong in CY24, gradual weakness was starting to build into urban consumption and Government capex towards the end of the year. Tight monetary policy by the RBI to control inflation and currency, and a slowdown in government spending during and immediately post the general elections seem to be the key reasons that could be ascribed to the gradual growth deceleration.

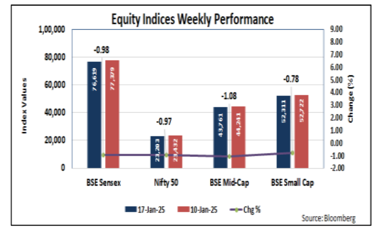
Strong improvement in Government spending, improved rural demand, steps taken by the RBI to add liquidity and possibly lower policy rates are likely to drive GDP growth going forward.

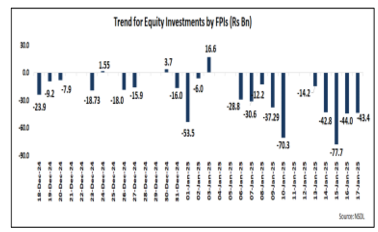
The Quarterly earnings for Q3FY25 has begun on a mixed note, with some IT companies reporting steady numbers, but the banking sector is suggesting weakening growth impulses. The market participants are likely to assess the performance of the corporates in the ongoing earning season to decide the future course of action. Weak earnings could see continuation of the current correction.

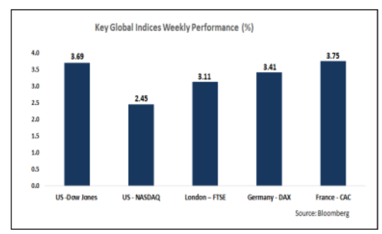
On the valuations front, Large caps look better than Small caps which look better than Mid caps. In the absence of any policy stimulus, CY25 could see fewer number of stocks getting re-rated and bottom-up stock selection would become an important parameter to generate portfolio alpha.

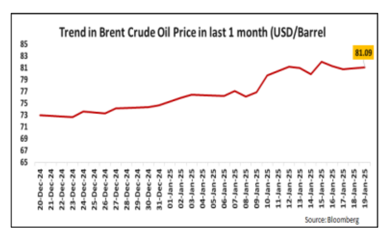
Investment deployment strategy could remain at 50% lumpsum and rest 50% to be staggered over the next 5-6 months. All allocations should be done in line with the risk profile and product suitability of the investor. Mutual Fund investors can look to focus on categories like Diversified equity, Equity, Hybrid and Multi-asset funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor.

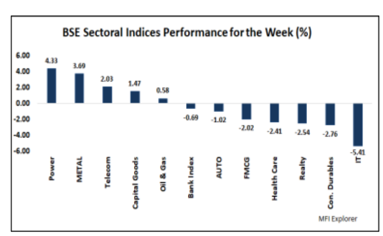


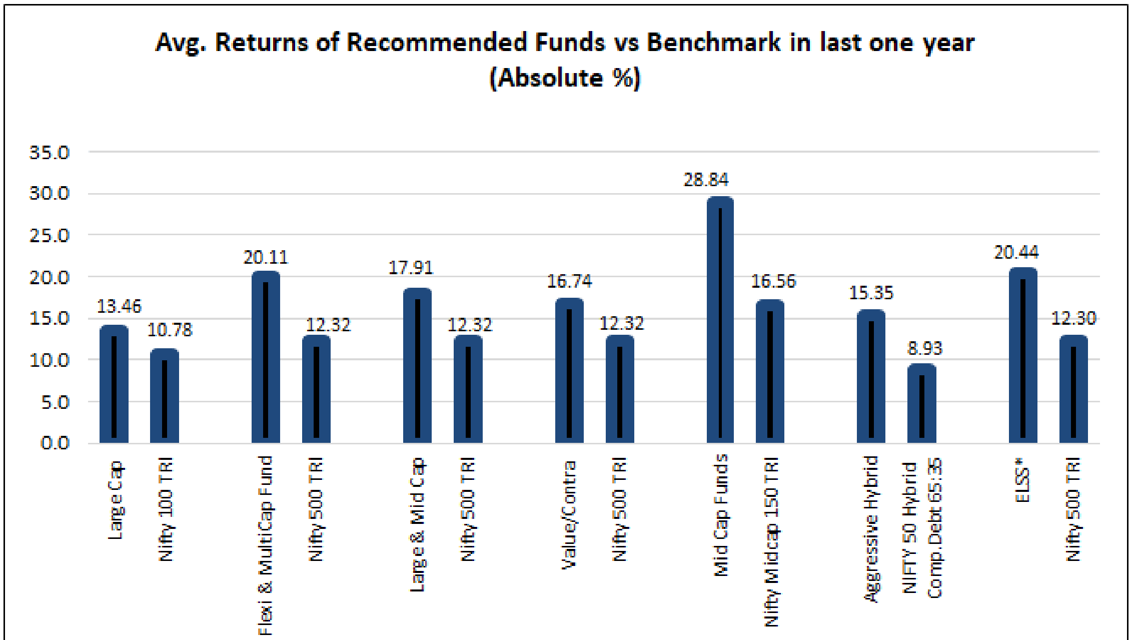












Note:* ELSS performance is for 3 years on CAGR basis

Returns Absolute %			Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	-5.11	-5.36	13.46	20.92	14.57	17.06
Flexi & MultiCap Fund	-7.12	-3.50	20.11	28.19	19.29	20.12
Large & Mid Cap Funds	-5.96	-5.19	17.91	26.05	17.51	20.91
Mid Cap Funds	-9.26	-0.10	28.84	36.83	25.92	27.74
Small Cap Funds	-8.52	-4.96	18.62	32.02	20.12	28.64
Value/Contra Funds	-5.32	-4.88	16.74	26.79	19.27	24.75
Focused Funds	-5.64	-5.55	17.74	23.12	16.61	20.73
Aggressive Hybrid Funds	-4.39	-2.21	15.35	19.96	13.90	16.62
Dynamic Asset Allocation Funds	-2.70	-0.93	12.07	17.33	13.45	15.54
Equity Linked Saving Schemes	-6.80	-1.77	24.16	31.30	20.44	21.27
Infrastructure Oriented Funds	-7.05	-7.94	19.99	29.94	21.75	26.14
Nifty 50 Index TRI	**-4.57**	**-5.25**	**8.91**	**14.67**	**9.52**	**14.76**
Nifty 500 TRI	**-6.07**	**-6.18**	**12.32**	**19.76**	**12.30**	**17.66**
Nifty Infrastructure TRI	**-4.25**	**-9.57**	**12.20**	**27.31**	**17.49**	**21.62**

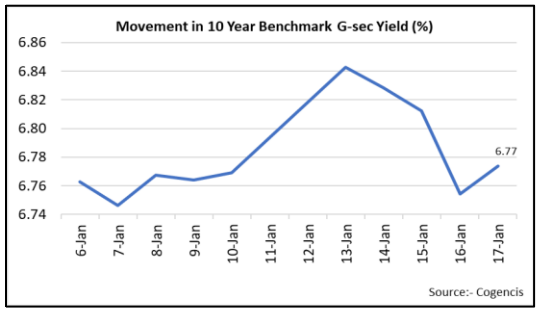
Note: Data as on January 17, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

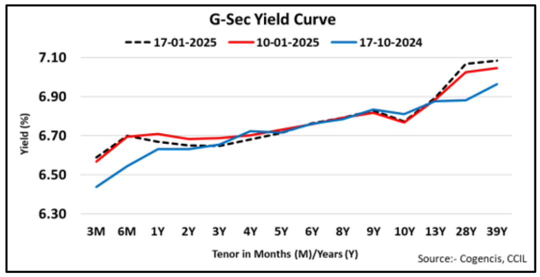
Overview - Fixed Income Markets & Mutual Funds as on 17 January 2025

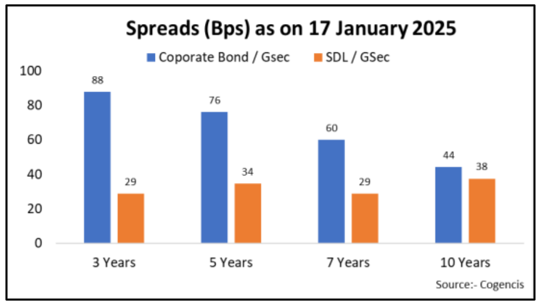
- Domestic G-Sec prices closed the week ended 17th January 2025 on a neutral note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed flat at 6.77% as against 6.77% on 10th January 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-)10 bp to 25 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 5 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields initially rose following a rise in US Treasury yields after US jobs growth unexpectedly accelerated in December 2024, while the unemployment rate fell below market expectations. Losses were extended due to a spike in crude oil prices driven by wider US sanctions on Russian oil. Additionally, a tumbling rupee also weighed on sentiment. However, losses were offset as softening inflationary pressures in the US ignited the hope for further rate cuts by the US Federal Reserve. Sentiment was boosted following the RBI's announcement to conduct VRR auctions on daily basis to infuse liquidity.
  - The total G-sec supply for the week stood at Rs 539.19 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 360 bn and the maturities were in the range of 5-30 years. The SDLs' auction was to the tune of Rs 179.19 bn, and the maturities were in the range of 10-22 years. For the 10-year SDL, the average cut off yield came in flat at 7.22%, as against 7.15% in the previous week. The G-secs' auction was for the following: 6.75% GS 2029, 6.92% GS 2039, and 7.09% GS 2054.
  - Banking system liquidity deteriorated during the week, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average deficit of ~Rs 2.23 trillion during the week as against a daily average deficit of ~Rs 1.70 trillion during the previous week.
- **Macro Data released during the week :-**
  - India's Consumer Price Index (CPI) based inflation for December 2024 stood at 5.22% YoY, showing a slight dip from 5.48% YoY in November 2024. Core inflation came in at 3.58% YoY in December as against 3.64% YoY in November 2024.
  - India's merchandise exports contracted 1% YoY to USD 38.01 bn in December 2024 while imports rose by 4.9% YoY to USD 59.95 bn leading to a trade deficit of USD 21.94 bn during the month.
  - As per the Finance Ministry, the Centre released tax devolution of Rs 1.73 trillion to state governments in January 2025 against the devolution of Rs 890.86 bn in December 2024.
  - As per the RBI, India's foreign exchange reserves fell by USD 8.71 bn to USD 625.87 bn as of January 10, 2025. Foreign currency assets (FCAs) fell by USD 9.47 bn to USD 536.01 bn.
- **Other macro-economic news :-**
  - India's Wholesale Price Index (WPI) based inflation rose to 2.37% YoY in December 2024 from 1.89% YoY in November 2024. The WPI-based inflation stood at 0.86% YoY in December 2023.
  - As per Moody's Ratings, India's fiscal conditions will continue to constrain its credit strength in CY25, although tension in US-China relations could benefit the Indian economy.
  - As per data from the Petroleum Planning and Analysis Cell, India's petroleum product demand continues to remain robust with consumption seen at a record 252.9 mn tonnes for FY26, 4.65% higher than the 241.8 mn tonnes projected for FY25.
- **Global Updates :-**
  - Consumer Price Inflation in the US accelerated to 2.9% YoY in December 2024 from 2.7% YoY in November 2024. Core inflation slowed to 3.2% YoY from 3.3% YoY in November 2024.
  - The Atlanta Fed lifted its estimate for US GDP growth citing the recent economic data. Its GDPNow model estimates US Real GDP growth for Q4 CY24 at 3.0% YoY from the 2.7% YoY forecast on January 9, 2025.
  - The minutes of the December Eurozone policy session showed that ECB policymakers were looking forward to more interest rate cuts, but saw the need for a cautious approach due to several uncertainties that could derail inflation from its path to the 2% YoY target.
  - As per the China's National Bureau of Statistics, China's GDP rose 5% YoY in Q4 CY24, slightly exceeding the median estimate of 4.9% YoY in a Bloomberg survey. The economy grew 5.4% YoY in Q4 CY23.
- **Outlook :-**

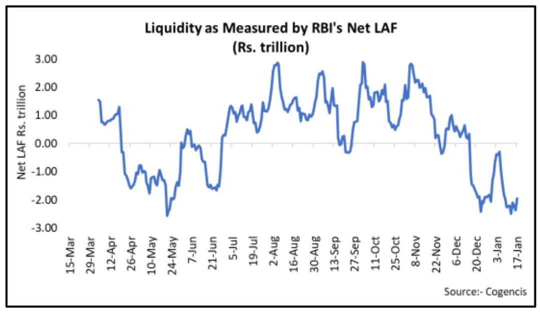
The liquidity continued to remain in deficit owing to RBI forex management. It is expected to improve with a rise in government spending in January 2025, and with market participants expecting the RBI to inject further durable liquidity in the system in due course. The CPI inflation for December 2024 eased slightly to 5.22% YoY, below market expectations of 5.30% YoY. While the CPI inflation remains above the RBI's target of 4% YoY, the food inflation is expected to cool down further during the winter months, which could cause headline inflation to gradually trend downwards and could give room to the MPC for policy rate cuts**. Issues on the external front, in terms of rising trade deficit and weakening currency, remain a key challenge for the RBI to negotiate with in the medium term and can have implication on the timing of the policy rate cuts.** In the US, the Federal Reserve is guiding to slowing the pace of policy rate cuts in the light of improving growth and employment data. The employment data in the US continues to remain strong. Going forward, policy measures announced by the incoming Trump Administration would be a key factor that would drive the policy rates there.

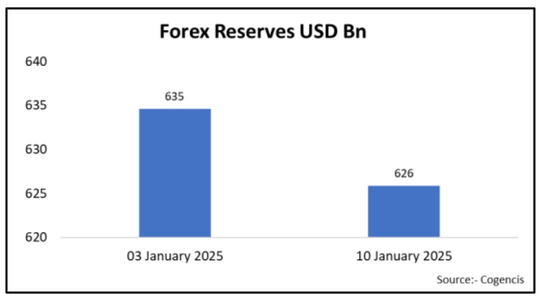
Domestically, tactical opportunity remains strong for duration strategy due to uptick in yields. With the growth decelerating, inflation moderating, and expectations of policy rate cuts on the rise, only the timing of the same seems to be getting delayed. Additionally, improving liquidity conditions are likely to compress corporate bond yields at the shorter end in the medium term. With this backdrop, the inverted corporate bond yield curve may normalize, making the case for investment into corporate bonds at the 1-4-years segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above. For a horizon of 24 months and above, investors can look at Dynamic Bond Funds. For a horizon of 3 months and above, investors can consider Arbitrage Funds or Money Market Funds. Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds. Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above. Investors should invest in line with their risk profile and product suitability.

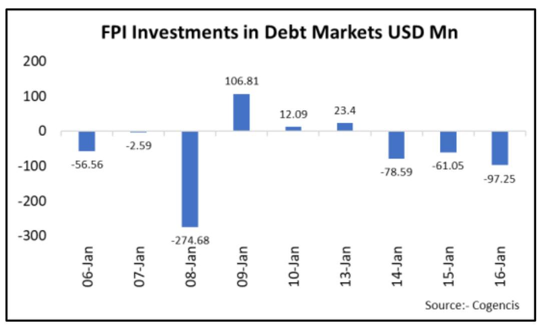












Category Average Returns as on 17 January 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	6.30	6.43	6.48	6.48	6.42	6.42	6.50	6.59	6.61	5.98
Liquid Funds	6.78	7.30	6.93	6.82	6.83	6.94	7.00	7.22	7.10	6.36
Floater Funds	1.77	5.38	5.30	6.15	6.03	7.65	8.03	8.06	7.72	6.55
Low Duration Funds	9.17	6.73	6.14	6.24	6.35	6.98	7.08	7.29	7.11	6.12
Money Market Funds	7.18	7.17	6.62	6.60	6.70	6.96	7.00	7.33	7.22	6.35
Ultra Short Duration Funds	7.30	6.71	6.35	6.33	6.44	6.70	6.76	7.03	6.87	6.03
Banking And PSU Funds	6.60	4.99	4.99	6.19	5.58	7.37	7.74	7.67	7.18	6.00
Corporate Bond Funds	-3.37	2.99	4.50	6.20	5.61	7.62	7.98	7.84	7.32	6.01
Medium Duration Funds	-6.54	4.20	4.82	6.71	5.58	7.81	8.25	7.94	7.33	6.37
Short Duration Funds	2.21	5.47	5.16	6.44	6.05	7.49	7.78	7.57	7.09	6.23
Medium To Long Duration Funds	-21.58	-0.23	1.97	5.73	3.96	6.98	8.33	7.94	7.21	5.90
Long Duration Funds	-55.62	-16.59	-4.48	3.73	0.80	6.34	9.48	9.77	8.45	6.86
Dynamic Bond Funds	-30.40	-5.41	0.14	5.18	3.05	6.86	8.43	8.15	7.36	6.11
Credit Risk Funds	4.50	4.80	5.40	6.42	6.06	7.72	7.95	7.83	7.87	9.17
Gilt Funds / Gilt Funds with 10 year constant duration	-43.43	-6.64	-0.49	5.53	2.77	6.92	8.78	8.43	7.70	6.11
Conservative Hybrid Funds	-37.68	-9.41	-13.20	2.72	-2.23	3.44	8.97	9.18	10.13	7.83
Index Funds	8.63	7.56	5.22	6.77	5.74	7.71	8.40	8.16	7.60	5.80
Arbitrage Funds	11.59	3.98	7.97	6.22	6.80	6.64	6.82	7.13	7.17	6.17

* Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year

Recommended Funds' Average Returns (% Annualised Returns)	1 Months	3 Months	6 Months	1 Year	2 Year	3 Year
Medium to Long Duration Funds & Long Duration Funds	0.87	3.70	7.42	9.16	8.09	6.24
Dynamic Bond Fund	-1.92	1.77	6.73	8.53	7.85	6.21
Gilt Funds & Gilt Funds with 10 year constant duration	-4.29	0.95	6.35	9.08	8.13	6.49
Short Duration / Medium Duration	5.38	6.15	7.73	7.88	7.44	6.19
Banking and PSU Funds	3.96	5.25	7.51	7.92	7.39	6.15
Corporate Bond Funds	4.79	5.80	8.02	8.31	7.75	6.53
Ultra Short Duration Funds /Low Duration / Floater Funds	6.54	6.69	7.21	7.54	7.39	6.43
Money Market Funds	6.86	6.95	7.22	7.65	7.56	6.69
Liquid Funds & Overnight Funds	7.03	6.90	7.02	7.32	7.20	6.44
Arbitrage Funds	8.33	7.19	6.95	7.47	7.51	6.55

Please Note that all the Dividend options factor in the taxation applicable for corporates
Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year
Returns shown in the chart above are for growth options.
Source for entire data stated above is Accord Fintech Pvt Ltd

(Please refer to the disclaimer on the next page)

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